



Iowa Department of Revenue

Director: Mark R. Schuling
Hoover State Office Building
Des Moines, Iowa 50319
www.state.ia.us/tax

August 10, 2009

Cliff Seagroves, Deputy Director
Diplomatic Property, Taxes, Services & Benefits
Office of Foreign Missions
United States Department of State
Washington, D.C. 20520

Dear Mr. Seagroves:

The Iowa Department of Revenue recently received your letter addressed to Director Schuling and it was forwarded to me for reply. You ask if Iowa has adopted specific regulations regarding the validity of exemption benefits granted through the Diplomatic Tax Exemption Program, authorized by the Foreign Missions Act of 1982 (22 U.S.C. 4301 et. seq.). When you last inquired in 2002, Iowa had not done so.

Iowa Code section 423.3(1) (2009) provides that the following sales of tangible personal property and enumerated services are exempt from Iowa sales and use tax:

"The sales price from sales of tangible personal property and services furnished which this state is prohibited from taxing under the Constitution or laws of the United States or under the Constitution of this state."

This language was enacted in 2004 as part of language necessary for Iowa's participation in the Streamlined Sales and Use Tax Agreement. In essence, it says that Iowa is bound by the laws and Constitution of the federal government. If a law of the federal government provides that certain individuals are exempt from Iowa state and municipal taxes, then Iowa would give deference to that exemption and administer the exempt status of those transactions accordingly.

In summary, Iowa follows the federal law requiring reciprocity of tax relief pursuant to the Foreign Missions Act of 1982. However, we have not promulgated a regulation specifically for the Diplomatic Tax Exemption Program. In the event your office hears of any difficulties from Iowa vendors in recognizing the Program, please contact us so that we can provide additional education to those vendors.

I hope this information is of assistance to you. Please be advised that this letter is an informal opinion and does not bind the Department in any future action. The Department could, at a later date, take a position contrary to that expressed here. If you

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have any additional questions regarding this matter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Victoria L. Daniels". The signature is written in dark ink and is positioned above the typed name and contact information.

Victoria L. Daniels
Legislative Liaison
Supervisor, Tax Policy & Audit Services
Victoria.Daniels@iowa.gov

/vld

cc: Director Mark Schuling